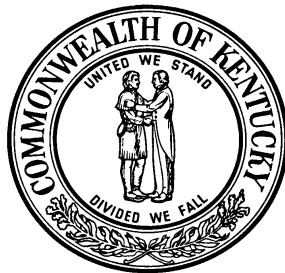


**REPORT OF THE AUDIT OF THE
FORMER HARRISON COUNTY
SHERIFF'S SETTLEMENT - 2006 TAXES**

**For The Period
April 1, 2006 Through November 30, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARRISON COUNTY FORMER SHERIFF'S SETTLEMENT - 2006 TAXES

**For The Period
April 1, 2006 Through November 30, 2006**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2006 Taxes for the period April 1, 2006 through November 30, 2006, for the former Harrison County Sheriff. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former Sheriff collected taxes of \$4,899,949 for the districts for 2006 taxes, retaining commissions of \$162,690 to operate the Sheriff's office. The former Sheriff distributed taxes of \$4,735,569 to the districts for 2006 Taxes. No additional taxes are due to the districts from the former Sheriff and no refunds are due to the former Sheriff from the taxing districts.

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robert M. Burnside, Secretary

Finance and Administration Cabinet

Honorable Alex Barnett, Harrison County Judge/Executive

Honorable Bruce Hampton, Former Harrison County Sheriff

Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the former Harrison County Sheriff's Settlement - 2006 Taxes for the period April 1, 2006 through November 30, 2006. This tax settlement is the responsibility of the former Harrison County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Harrison County Sheriff's taxes charged, credited, and paid for the period April 1, 2006 through November 30, 2006, in conformity with the modified cash basis of accounting.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robert M. Burnside, Secretary

Finance and Administration Cabinet

Honorable Alex Barnett, Harrison County Judge/Executive

Honorable Bruce Hampton, Former Harrison County Sheriff

Members of the Harrison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2007 on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

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Crit Luallen

Auditor of Public Accounts

June 15, 2007

HARRISON COUNTY
BRUCE HAMPTON, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2006 TAXES

For The Period
April 1, 2006 Through November 30, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 688,465	\$ 1,306,558	\$ 2,640,298	\$ 908,740
Tangible Personal Property	47,531	127,438	146,647	244,040
Increases Through Exonerations	10	22	40	14
Franchise Taxes	41,132	76,837	133,928	
Additional Billings	3,035	4,410	11,508	4,140
Penalties	87	126	330	119
Adjusted to Sheriff's Receipt	(214)	(311)	(827)	(888)
Gross Chargeable to Sheriff	<u>780,046</u>	<u>1,515,080</u>	<u>2,931,924</u>	<u>1,156,165</u>
<u>Credits</u>				
Exonerations	1,337	3,058	5,126	1,764
Discounts	11,012	21,451	41,598	18,020
Incoming Sheriff's Receipt	153,391	299,065	584,722	208,264
Franchise Taxes	<u>21,065</u>	<u>47,235</u>	<u>66,158</u>	
Total Credits	<u>186,805</u>	<u>370,809</u>	<u>697,604</u>	<u>228,048</u>
Taxes Collected	593,241	1,144,271	2,234,320	928,117
Less: Commissions *	<u>25,500</u>	<u>41,600</u>	<u>55,858</u>	<u>39,732</u>
Taxes Due	567,741	1,102,671	2,178,462	888,385
Taxes Paid	567,519	1,102,336	2,177,628	888,086
Refunds (Current and Prior Year)	<u>222</u>	<u>335</u>	<u>834</u>	<u>299</u>
Due Districts				
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Commissions:

10% on	\$ 10,000
4.25% on	2,439,270
2.5% on	\$ 2,234,320
1% on	\$ 216,359

The accompanying notes are an integral part of this financial statement.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT

November 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
November 30, 2006
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of November 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 20, 2006 through November 30, 2006.

Note 4. Interest Income

The former Harrison County Sheriff earned \$11,935 as interest income on 2006 taxes. The former Sheriff was in substantial compliance with his statutory responsibility regarding interest.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Alex Barnett, Harrison County Judge/Executive
The Honorable Bruce Hampton, Former Harrison County Sheriff
Members of the Harrison County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the former Harrison County Sheriff's Settlement - 2006 Taxes for period April 1, 2006 through November 30, 2006, and have issued our report thereon dated June 15, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Harrison County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Harrison County Sheriff's Settlement - 2006 Taxes for the period April 1, 2006 through November 30, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, the Harrison County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 15, 2007

